AUDITOR’S REPORT ON THE
ANNUAL FINANCIAL
STATEMENTS OF PRIVATE
HIGHER EDUCATION
INSTITUTIONS

Introduction
In accordance with paragraph 5(j) of the Manual for the Registration of Private Higher Education Institutions (Manual), issued by the Registrar of Private Higher Education Institutions, the auditor’s report on the annual financial statements of a private higher education institution should include specific reference to the going concern status of the institution. This circular provides guidance on the audit procedures to be performed and the format and content of the auditor’s report to be issued in this regard. This circular should be read in conjunction with the Manual.

Procedures
The requirement to include in the auditor’s report of a private higher education institution a specific reference to the going concern status of that institution does not require the auditor to perform auditing procedures in addition to those performed in the normal course of the audit of the financial statements. Compliance with the basic principles and performance of the essential procedures set out in statements of South African Auditing Standards (SAAS) should enable the auditor to include such a reference in the auditor’s report. The auditor should give particular consideration to:

- Statement on Auditing Standards AU 294, Going Concern,
- proposed statement of SAAS – ED 116, Going Concern, and

In accordance with AU 294, the auditor considers information that relates to a minimum of six months following the date of the auditor’s report or one year after the balance sheet date, whichever is the later. The auditor also takes account of events that will or are likely to occur
later, for example, where the institution is due to repay significant indebtedness.

04 Although the auditor considers the foreseeable future, there can be no certainty as to the outcome of future events. Accordingly the financial statements and the auditor’s report only reflect the position that could reasonably be foreseen at the time of their issue.

05 Appendix I contains an example auditor’s report.

06 Where the future business operations of a local business entity of a foreign institution are dependent on the continued financial support of the foreign institution, the auditor considers the terms and conditions of the letter of support provided by the foreign institution to the local business entity. Appendix II contains an example auditor’s report.

07 In the case of a foreign institution trading as a business entity in South Africa, utilising local infrastructure/expertise, the auditor also considers the terms and conditions of the agreement between the local business undertaking/foreign institution and the provider of the local infrastructure/expertise. Appendix II contains an example auditor’s report.

08 In the case of a local registered private or public institution in co-operation with a foreign institution, the auditor considers the terms and conditions of the co-operation agreement between the local registered private or public institution and the foreign institution. Appendix III contains an example auditor’s report.

09 The letter of support, agreement to utilise local infrastructure/expertise and co-operation agreement referred to above should be legally binding documents, duly signed by all the relevant parties.

**Annual financial statements not available**

10 If, at the time of registration as a private higher education institution, the institution is in its first year of operation and therefore annual financial statements have not yet been prepared, paragraph 5(j) of the Manual requires the directors/members to:
• prepare a viable 5-year business plan, and
• a 5-year profit forecast.

In addition to the above, the institution has to:

• set up a fidelity fund or some other form of surety or guarantee to cover at least two years of operations in South Africa, or
• enter into a co-operation agreement with another registered or public institution, whereby the other institution undertakes to absorb students from defaulting institutions, at no additional cost to the students, towards a qualification of at least equal standard, or to refund the students’ expenses.

The auditor is required to report on the 5-year profit forecast. Appendix IV contains an example auditor’s report. The auditor should follow the guidance provided in the Audit and Accounting Guide on Profit Forecasts issued by The South African Institute of Chartered Accountants in August 1989.

The auditor is not required to report on the 5-year business plan, the fidelity fund or the co-operation agreement.

**Auditor’s report on the Internet**

In accordance with Section 56 of the Higher Education Act, 1997, which provides for the auditor’s report to be made public, any person may inspect the auditor’s report required in terms of Section 57 of the Act. The Registrar of Private Higher Education Institutions has therefore indicated his intention to place the auditor’s report on the Internet. In view of this intention, the auditor should include a note in his/her report that, in the event that the auditor’s report is read on the Internet, and for a full understanding of the content thereof, it should be read together with the related annual financial statements.
APPENDIX I

AUDITORS REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF A LOCAL PRIVATE HIGHER EDUCATION INSTITUTION

Report of the independent auditors to the members of the …..

We have audited the annual financial statements [and group annual financial statements] of ….. set out on pages … to … for the year ended ….. These financial statements are the responsibility of the directors/members. Our responsibility is to express an opinion on these financial statements based on our audit.

For a full understanding by those reading this report on the Internet, it is recommended strongly that it be read together with the related financial statements.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the institution [company and the group] at ….. and the results of its/their operations and cash flows for the year then ended in accordance with generally accepted accounting practice, and in the manner required by the Companies Act (delete if not applicable).
Going concern
In accordance with paragraph 5(j) of the Manual for the Registration of Private Higher Education Institutions, issued by the Registrar of Private Higher Education Institutions, we report that, based on the going concern review performed as part of our audit, we concur with the directors’/members’ statement on the going concern status of the institution set out in paragraph … of the directors’/members’ report.

In accordance with statements of South African Auditing Standards, our going concern review was limited to information that relates to a minimum of six months following the date of the auditor’s report or one year after the balance sheet date, whichever is the later. However, there can be no certainty as to the outcome of future events. Accordingly, the financial statements and the auditor’s report only reflect the position that could reasonably be foreseen at the time of their issue.

Name
Registered Accountants and Auditors
Chartered Accountants (SA)
Address
Date
APPENDIX II

AUDITOR’S REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF A FOREIGN INSTITUTION TRADING AS A LOCAL BUSINESS ENTITY

Report of the independent auditors to the members of …..

We have audited the annual financial statements of ….. (name of local business entity) set out on pages … to … for the year ended ….. These financial statements are the responsibility of the directors/members. Our responsibility is to express an opinion on these financial statements based on our audit.

For a full understanding by those reading this report on the Internet, it is recommended strongly that it be read together with the related financial statements.

Scope
We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

• examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
• assessing the accounting principles used and significant estimates made by management, and
• evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion
In our opinion, the financial statements fairly present, in all material respects, the financial position of the institution at ….. and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting practice, and in the manner required by the Companies Act (delete if not applicable).
**Going concern**
In accordance with paragraph 5(j) of the Manual for the Registration of Private Higher Education Institutions, issued by the Registrar of Private Higher Education Institutions, we draw attention to:

- paragraph … in the directors'/members’ report dealing with the financial support provided to ...... *(name of local business entity)* by ...... *(name of foreign institution)*, and

- paragraph .... in the directors'/members’ report dealing with the utilisation of the local infrastructure/expertise of ...... *(name of provider of local infrastructure/expertise)* by ...... *(name of local business entity)*.

The institution’s ability to operate as a going concern is mainly dependent on the continued financial support from ...... *(name of foreign institution)* and utilisation of the local infrastructure/expertise of ...... *(name of provider of local infrastructure/expertise)*.

We report that, based on the going concern review performed as part of our audit, and taking the matters referred to in the above paragraph into account, we concur with the directors'/members’ statement on the going concern status of the institution set out in paragraph … of the directors'/members’ report.

In accordance with statements of South African Auditing Standards, our going concern review was limited to information that relates to a minimum of six months following the date of the auditor’s report or one year after the balance sheet date, whichever is the later. However, there can be no certainty as to the outcome of future events. Accordingly the financial statements and the auditor’s report only reflect the position that could reasonably be foreseen at the time of their issue.

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Registered Accountants and Auditors
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Address
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**Note:** Where the local business entity is not dependent on the financial support of the foreign institution and utilises its own
infrastructure/expertise, reference should be made to the example auditor’s report in Appendix I.
Reference to the utilisation of local infrastructure/expertise in the first and second paragraphs under the heading “Going concern” should be deleted if not applicable.
APPENDIX III

AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS OF A LOCAL REGISTERED PRIVATE OR PUBLIC INSTITUTION ACTING IN CO-OPERATION WITH A FOREIGN INSTITUTION

Report of the independent auditors to the members of .....  

We have audited the annual financial statements of ..... (name of local registered private or public institution) set out on pages … to … for the year ended ….. These financial statements are the responsibility of the directors/members. Our responsibility is to express an opinion on these financial statements based on our audit.

For a full understanding by those reading this report on the Internet, it is recommended strongly that it be read together with the related financial statements.

Scope
We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

• examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,  
• assessing the accounting principles used and significant estimates made by management, and  
• evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion
In our opinion, the financial statements fairly present, in all material respects, the financial position of the institution at ….. and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting practice, and in the manner required by the Companies Act (delete if not applicable).
Co-operation agreement with ..... (name of foreign institution)
In accordance with paragraph 5(j) of the Manual for the Registration of Private Higher Education Institutions, issued by the Registrar of Private Higher Education Institutions, we draw attention to paragraph … in the directors'/members’ report dealing with the co-operation agreement between ..... (name of local registered private or public institution) and ..... (name of foreign institution)

The institution’s ability to satisfy its obligations to its students is mainly dependent on the maintenance of the above co-operation agreement.

Going concern
In accordance with paragraph 5(j) of the Manual for the Registration of Private Higher Education Institutions, issued by the Registrar of Private Higher Education Institutions, we report that, based on the going concern review performed as part of our audit, and taking the matter referred to in the above paragraph into account, we concur with the directors’/members’ statement on the going concern status of the institution set out in paragraph … of the directors’/members’ report.

In accordance with statements of South African Auditing Standards, our going concern review was limited to information that relates to a minimum of six months following the date of the auditor’s report or one year after the balance sheet date, whichever is the later. However, there can be no certainty as to the outcome of future events. Accordingly the financial statements and the auditor’s report only reflect the position that could reasonably be foreseen at the time of their issue.

Name
Registered Accountants and Auditors
Chartered Accountants (SA)
Address
Date
APPENDIX IV

AUDITOR’S REPORT ON A 5-YEAR PROFIT FORECAST

Report of the independent auditors to the Registrar of Private Higher Education Institutions

We have examined the profit forecast of ….. set out on pages … to … for the 5-year period commencing on ….. in accordance with guidelines laid down by The South African Institute of Chartered Accountants. The directors/members are responsible for the profit forecast, including the assumptions set out in Note … on which it is based.

The profit forecast has been prepared in accordance with paragraph 5(j) of the Manual for the Registration of Private Higher Education Institutions, issued by theRegistrar of Private Higher Education Institutions, as part of the entity’s application to register as a private higher education institution in terms of the Higher Education Act, 1997. As the entity is in a start-up phase, the profit forecast has been prepared using a set of assumptions that include hypothetical assumptions about future events and directors’/members’ actions that are not necessarily expected to occur. Consequently, readers are cautioned that this profit forecast may not be appropriate for purposes other than that described above.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention that causes us to believe that these assumptions do not provide a reasonable basis for the profit forecast, assuming that the hypothetical assumptions about future events and directors’/members’ actions do occur. Further, in our opinion the profit forecast is properly prepared on the basis of the assumptions and is presented in accordance with guidelines laid down by The South African Institute of Chartered Accountants.

Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the projection, since other anticipated events frequently do not occur as expected and the variation may be material.
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Name
Registered Accountants and Auditors
Chartered Accountants (SA)
Address
Date